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ED/EC M-227

March 7, 1957

EXECUTIVE COMMITTEE OF THE
ECONOMIC DEFENSE ADVISORY COMMITTEE

MINUTES

2:00 p.m., Tuesday, March 5, 1957
Room 1213 Maiatico

Attendance:

MDAC

Mr. Hale, Chairman
Mr. Levin
Mr. Anderson
Mr. Johnson
Mr. Shaw
Mr. Kramer, Executive Secretary
Mrs. Lese, Committee Secretary

Defense

Mr. Martino

ICA

Mr. Slaght

Agriculture

Mr. Zaglits

CIA

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State

Mr. Henderson

Commerce

Mr. Hockersmith
Mr. George

Treasury

Mr. Pollak

Agenda:

Note a: The Polish Negotiations.

Note b: Report of Ad Hoc Group Chairman.

1. Department of Agriculture Request for Seeking an Amendment to the Battle Act.
(Ref. ED/EC D-114, 2/21/57)
2. Consideration of Available Draft Outlines for Work Program.
(Ref. EDAC D-127/4, 2/28/57)

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Note a: The Polish Negotiations.

The Chairman said that he had been informed that negotiations with Polish delegations are in progress in the Department of State. They have not yet started to discuss items, quantities, and funding.

Note b: Report of Ad Hoc Group Chairman.

The Ad Hoc Group Chairman, Mr. George, stated that the Group had made a fairly firm selection of about seven or eight sectors relatively narrowly defined, and made tentative selection of items currently numbering 40. They are now in process of trying to firm up selection of items for sectors and hope that they may be able to accomplish this at a meeting tomorrow. If they are able to do this, they hope to be able to make an interim report to the EC early next week which will contain sectors selected, brief statements of rationale, information as to the position of China and the Soviet bloc with respect to the sectors and list of items which have been nominated for action. In the Ad Hoc Chairman's view there would be only one remaining step to complete -- a set of fact sheets on individual items selected, their position and use, a brief statement as to the significance of the item in the sector, and a brief statement as to past negotiating history of the item. He did not feel it was practical to hold up the first step until the fact sheets are ready. He mentioned that CIA had done a large amount of work on the assignment. Defense has indicated that they are not initially concerned with the broad sectors which have been selected, but they are now considering the narrower sectors.

1. Department of Agriculture Request for Seeking an Amendment to the Battle Act.
(Ref. ED/EC D-111, 2/21/57)

Decision

The Chairman will draft a report to the Chairman of EDAC which will be circulated to the Executive Committee members for comments and suggestions prior to its submission. A record of today's meeting will also be circulated at the same time in order to give the Agriculture Department an opportunity to review the discussion and determine whether they want the problem presented to EDAC at once or are willing to await the general consideration of reports on various studies of the foreign aid program.

Discussion

The Chairman reported that the Department of Agriculture had asked four questions concerning the legal applicability of the Battle Act to commodity credit loans, sales which involved loans of the Export-Import Bank, etc. They were not new questions but were phrased in such a manner as to make the Chairman of EDAC feel that opinions of the ICA General Counsel were required. When the General Counsel's reply is dispatched it will be circulated to EDAC with the incoming questions.

The Chairman noted that EDAC had recently given consideration to the desirability of making an Executive Branch recommendation to Congress for revision of the Battle

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Act (Ref. EDAC D-128, EDAC D-128a). A decision was made at that time not to make such recommendation. The Agriculture proposal opens the question afresh.

The Agriculture member was asked to present his agency's view. He responded that there were two prime points:

1. Direct sale on credit to Poland. Agriculture shares the general opinion that under the present conditions this cannot be done.

2. Triangular arrangements. The Agriculture member explained that Poland does not receive an adequate income from trade with the U. S., whereas neighboring countries offer markets for coal and other materials. West Germany is most anxious and has indicated interest in an arrangement to buy U. S. grain on credit for shipment to Poland in exchange for coal or ships and perhaps to substitute German wheat and ship it to Poland.

The Agriculture member explained that it was not the intent of his agency to make possible exports to all the iron curtain countries. It was only intended for those cases where the Commerce Department has ruled that U. S. trade was acceptable on a cash basis. He mentioned that there were other countries who indicated interest in a number of cases. There is opportunity for indirect sale through Germany and other countries, and new opportunities for direct sale on credit terms as in the case of Canada.

The Chairman said that the proposal of the Department of Agriculture to seek legislative changes in the Battle Act should be weighed against other courses open to us for supplying agricultural products, i.e., Sec. 401 of the MSA. He suggested that it would be helpful if the Executive Committee members stated their agencies' views or positions on the Agriculture proposal for the purpose of fixing an Executive Committee record of the discussion for submission to EDAC.

The State member said that his EDAC member is opposed to seeking any alteration or amendment to the Battle Act at the present time. The extended rationale behind his views was not made known, but the EC member felt it was political.

The ICA member said that it had been hoped that the General Counsel's opinion regarding CCC credit might have answered Agriculture's questions. If not, ICA would hold that the opinion of the second quoted paragraph of ED/EC D-114 would eliminate any ICA interest except that they would accept the Agriculture view that it was financial aid and not economic aid, but ICA feels very strongly against any amendment being sought to the Battle Act. ICA felt relief could be found in other ways, such as asking Congress to install a waiver like Sec. 401 in PL 480.

The Defense member stated that his personal view was that EDAC had reached agreement in January with respect to amending the Battle Act because of certain political considerations. Unless those political considerations have changed radically we should not make any recommendations for changes in the Battle Act. It might open the door for many undesirable changes in the Battle Act.

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The Treasury member said that he was unable to give his agency's views. In discussing it in his agency he had the impression that the amendment being sought was much broader than it now appeared to be. He learned this morning that it had a much narrower approach than Treasury thought and it was too late at that point to get an agency reaction. In response to the Chairman's question of what the Treasury position would be if the Executive Branch could control the language of an amendment to the Battle Act to make it as limited and narrow as the EC could propose, the Treasury member replied that he had no comment.

The CIA member said his agency had no position.

The Commerce member said he could not give an agency position which would be expressed appropriately to the Bureau of the Budget if the question came up there. It was his personal observation that if any amendment to the Battle Act is proposed it should be withheld until such time as the results of the surveys on the foreign aid programs have been studied and evaluated and decisions made. He agreed with the ICA view noted above.

It was the consensus of the Executive Committee, with Treasury abstaining, that the Department of Agriculture recommendation for revision of the Battle Act should not be sought by EDAC or the Executive Branch. Opinion was expressed in the Committee that there are means now available to the Executive Branch for accomplishing most, if not all, of the proposals of Agriculture under current legislation and policy. The view was expressed that revisions of PL 480, now under consideration by Congress, might be a means by which Agriculture could gain the relief sought. It is also the consensus of the Executive Committee (Treasury reserving) that consideration of any revision of the Battle Act should await final consideration of reports by the several committees now studying foreign aid matters.

2. Consideration of Available Draft Outlines for Work Program.
(Ref. EDAC D-127/4, 2/28/57)

Decision

The Executive Committee agreed on the motion of the State member, seconded by the Commerce member, to change considerably the nature of the papers which are to be prepared on the work program. It was understood that rather than the outline papers which had been agreed on at the previous meeting there would be presented a new series of papers containing a brief paragraph or two describing the work program under all of the appropriate "Courses of Action" paragraphs which will be submitted for Executive Committee consideration and, where necessary, subsequently assigned to other agencies for expansion of the thoughts developed.

Discussion

The Chairman noted that at the last meeting of the Executive Committee agreement had been reached with respect to assignments for outlines for a work program. Three EDAC draft outlines have been circulated to the members under EDAC D-127/4, together

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with the Commerce proposal with respect to para. 19. The State and Defense members circulated at the meeting copies of their outlines on para. 9 and para. 16, respectively. The CIA member informed the Group that their summary on para. 14 is in draft form and will be forthcoming within a few days.

The Chairman remarked that in looking over the contributions prepared by the several agencies he realized that at the previous meeting a decision had not been reached as to a definite format. He had attempted in the record of the meeting to show that we wanted a delineation of the elements of the program to fix working group or agency responsibilities and to set a time schedule. Since the last meeting he had occasion to review some of the "Plan of Operations" documents prepared in the OCB structure and while he in no way felt EDAC had any reason to conform in its behavior or format to OCB activity, the format they used is interesting and it would be relatively simple for the Executive Committee to conform to that kind of outline. In his judgment it would make the job of outlining a great deal easier. He asked for the members comments on this suggestion.

The State member indicated that there was not complete understanding in his Department as to exactly what was desired with regard to the preparation of the outlines. With respect to the Chairman's proposal he was of the opinion that it would just add one more step in the process of completing the work. He felt the outline would be fine for the agency who is eventually going to finalize the work, but he believed we should get on with the job before us rather than make another outline.

The Commerce member had no objection to the outline as long as the work was done. He agreed that the outlines already submitted were dissimilar which indicated a difference in views among the members as a result of the last meeting. To follow a format used by the OCB might very well prove advantageous, particularly for the finished product, but he pointed out that our aim now was just for an outline. He felt too that it was up to State to decide upon the final format.

The Defense member had no position -- one way or another.

The Chairman suggested that the members examine the outlines before them and choose, if they wished, one that could be used as a guide for the papers still to be prepared.

The State member felt none were acceptable and thought one would have to have a strong imagination to recognize a work program.

The Chairman asked how we should proceed with the balance of 10 or 12 papers yet to come but overdue since March 1.

The State member said he believed what is now required is a brief paragraph or two describing a work program under the appropriate paragraphs to be brought back to the Executive Committee for consideration and, if necessary, further assignment to other agencies for expansion of the thoughts developed.

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All members having agreed to the State member's proposal, the Chairman pointed out that the EDAC Chairman had requested that a Work Program be put before EDAC as soon after the adoption of the new policy as possible; that it would now be necessary for each agency of responsibility (see list by paragraph numbers in EC M-226) to prepare new papers to be sent to the secretary as rapidly as possible. Meetings of the Executive Committee will be called to consider papers in groups adequate to form a reasonable agenda.

Distribution:

ED List Parts I & II

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